85-1422

Supreme Court, U.S.
FILED
FEB 20 1986
JOSEPH F. SPANIOL, JR.
CLERK

NO.

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1985

SHERMAN TREATERS LTD,

Petitioner,

vs.

ANDREAS AHLBRANDT,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

Law Offices of LILLING & GREENSPAN
BURTON L. LILLING, ESQ., of Record
BRUCE E. LILLING, ESQ.
123 Main Street
Suite 936
White Plains, New York 10601
(914) 684-0600
Attorneys for Petitioner
Sherman Treaters Ltd

10 pp

QUESTIONS PRESENTED

I. MAY A DECLARATORY JUDGMENT ACTION BE BROUGHT AGAINST A PATENTEE BASED UPON CHARGES OF INFRINGEMENT BY HIS EXCLUSIVE MARKETING AGENT?

II. ARE THREATS OF PATENT INFRINGEMENT BY THE EXCLUSIVE U.S. MARKETING AGENT OF A FOREIGN PATENTEE SUFFICIENT TO SUPPORT A DECLARATORY JUDGMENT ACTION AGAINST THE FOREIGN PATENTEE WHERE THE U.S. MARKETING AGENT HAS AN EXCLUSIVE LICENSE TO ONLY USE AND SELL - BUT NOT TO MAKE - THE PATENTED INVENTION?

III. IS A FOREIGN PATENT OWNER WHO MANUFACTURES THE PATENTED ARTICLE AND APPLIES HIS OWN NAME TO THE ARTICLE, AND

SELLS IT TO AN EXCLUSIVE MARKETING AGENT IN THE U.S. WHO IN TURN SELLS AND SERVICES THE ARTICLE IN THE UNITED STATES, SUBJECT TO THE JURISDICTION OF A U.S. COURT IN AN ACTION TO DECLARE THE PATENT INVALID BY A PARTY WHOSE U.S. CUSTOMERS HAVE BEEN THREATENED WITH INFRINGEMENT BY THE U.S. MARKETING AGENT?

LIST OF PARTIES

1. Sherman Treaters Ltd., a British corporation, is the Petitioner herein and was the Plaintiff in the United States District Court for the District of Columbia and was the Appellant in the United States Court of Appeals for the Federal Circuit. Sherman Treaters Ltd. has no subsidiaries not wholly owned and it has no affiliates or related companies.

2. Andreas Ahlbrandt, a citizen of the Federal Republic of Germany (FRG), is the Respondent herein and was the Defendant in the United States District Court for the District of Columbia and was the Appellee in the United States Court of Appeals for the Federal Circuit.

TABLE OF CONTENTS

	Page
Questions Presented	i
List of Parties	ii
Table of Contents	iv
Table of Authorities	vi
Opinions Below	2
Jurisdiction	3
United States Statutes Involved	3
Statement of the Case	4
Reason for Granting the Writ	8
Conclusion	29

Appendices

A. Decision of the United States Court of Appeals for the Federal Circuit, Sherman Treaters, Ltd. v. Andreas Ahlbrandt — A-1

B. Memorandum Opinion of the United States District Court for the District of Columbia, 607 F. Supp. 939, 941-945 (D.D.C. 1985) — B-1

Page

C. Order of the United States Court of Appeals for the Federal Circuit denying rehearing C-1

Certificate of Service

Affidavit of Mailing

TABLE OF AUTHORITIES

PAGE

Cases

Agrashell, Inc. v. Hammons Products Company, 352 F. 2d 443, 147 U.S.P.Q. 347 (8th Cir. 1965)..... 26

Aro Manufacturing Co., Inc. v. Convertible Top Replacement Co., Inc., 377 U.S. 476, 12 L. Ed. 2d 457, 84 S. Ct. 1526, 141 U.S.P.Q. 681 (1964)..... 21

Deitel v. Chisholm, 42 F. 2d 172, 6 U.S.P.Q. 251 (2d Cir. 1930)..... 20

Duplan Corporation v. Deering Milliken, Inc., 184 U.S.P.Q. 812 (D.S.C. 1974), rev'd on other grounds sub nom., Duplan Corp. v. Deering Milliken Research Corp., 522 F. 2d 809 (4th Cir. 1975)..... 23-24

Independent Wireless Telegraph Co. v. Radio Corporation of America, 269 U.S. 459, 46 S. Ct. 166, 70 L. Ed. 357 (1926)... 24

TABLE OF AUTHORITIES (cont'd)

	PAGE
Cases (cont'd)	
Innis, Speiden & Co. v. Food Machinery Corporation, 2 F.R.D. 261 (D.Del. 1942)..	20
Jervis B. Webb Company v. Southern Systems, Inc., 742 F. 2d 1388 (C.A.F.C. 1984).....	11
People of the State of Illinois v. Archer Daniels Midland Company, 704 F. 2d 935 (7th Cir. 1983).....	13-14, 28
Societe de Conditionnement en Aluminium v. Hunter Engineering Co., Inc., 655 F. 2d 938, (9th Cir. 1981).....	14-15, 17-18, 19, 28
Waterman v. MacKenzie, 138 U.S. 252, 11 S. Ct. 334 (1891).....	23
Willingham v. Star Cutter Co., 555 F. 2d 1340 (6th Cir. 1977).....	23

TABLE OF AUTHORITIES (cont'd)

	PAGE
Statutes	
28 U.S.C. 1254(1).....	3
28 U.S.C. 1295(a).....	10
28 U.S.C. 1338.....	10
28 U.S.C. 2101(c).....	3
28 U.S.C. 2201.....	7
28 U.S.C. 2201(a).....	4
35 U.S.C. 293.....	7, 25
Supreme Court Rule 20.4.....	3
Other Authorities	
1 Einhorn, Patent Licensing Transactions, §1.01[2][b] (1985).....	19
1 Einhorn, Patent Licensing Transactions, §1.03[2] (1985).....	21

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1985

SHERMAN TREATERS LTD,

Petitioner,

vs.

ANDREAS AHLBRANDT,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

To the Honorable, The Chief Justice and Associate Justices of the Supreme Court of the United States:

Sherman Treaters Ltd, petitioner herein, prays that a writ of certiorari issue to review the judgment of

the United States Court of Appeals for the Federal Circuit entered in this case on October 23, 1985.

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Federal Circuit, affirming the trial court, was filed on October 23, 1985 and is not reported, and is reproduced herein as Appendix A. The Memorandum Opinion of the United States District Court for the District of Columbia, denying plaintiff's motion for partial summary judgment as to noninfringement, invalidity and false marking of defendant's patent for lack of jurisdiction, and, granting defendant's cross-motion for summary judgment as to lack of subject matter jurisdiction, was

filed on March 7, 1985 and is reported as: Sherman Treaters, Ltd. v. Ahlbrandt, 607 F. Supp. 939 (D.D.C. 1985) (Appendix B).

JURISDICTION

The opinion of the United States Court of Appeals for the Federal Circuit was filed on October 23, 1985. A timely petition for rehearing was denied on November 22, 1985. (Appendix C.) (Supreme Court Rule 20.4) The jurisdiction of this Court is invoked pursuant to 28 U.S.C. 1254(1) and 28 U.S.C. 2101(c).

UNITED STATES STATUTES INVOLVED

The following federal statutes are involved:

> "In a case of actual controversy within its jurisdiction...any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such."
> 28 U.S.C. 2201(a).

STATEMENT OF THE CASE

Respondent, a citizen and resident of the FRG, is the owner of the U.S. Patent No. 4,446,110 (hereinafter "the patent in suit") for a cooling system to be used in connection with corona discharge treaters. Respondent manufactures, in the FRG, treaters incorporating cooling systems which come within the scope of the patent in suit

and respondent's name appears on a plate affixed to such treaters. In response to an order of the District Court to produce an alleged Marketing Agreement with Enercon Industries Corporation (hereinafter "Enercon") defendant produced only an "Amendment to Marketing Agreement" (hereinafter "Amendment"). As appears from the Amendment, Enercon became respondent's sole marketing agent in the United States and was granted an exclusive license to only use and sell, but not to make, the patented invention in the United States for a term coextensive with the Marketing Agreement.[1] In addition, Enercon was granted the right to enforce the patent against third party infringers, and, if Enercon failed to act

---

1 Since respondent never produced the underlying Marketing Agreement, the term or other conditions thereof are not known.

then the right to enforce the patent fell to Ahlbrandt-System, G.m.b.H. of which respondent is president. (607 F. Supp. at 941) (Appendix B 3-4).[2]

Petitioner also is a manufacturer of corona discharge treaters which it sells in the United States of America and elsewhere throughout the world. In late 1984, various of petitioner's customers complained to petitioner that they had been threatened by Enercon that they and/or petitioner would be sued for infringement if petitioner continued to sell corona discharge treaters in the United States.

---

2 It is to be noted that Enercon and Ahlbrandt-System had only the right to enforce the patent, and, because respondent retained the right to "manufacture", a defendant infringer could not attack the validity of the patent in any such suit.

Petitioner commenced this action against respondent in the United States District Court for the District of Columbia for a declaratory judgment of non-patent infringement and patent invalidity. The basis for federal jurisdiction is 28 U.S.C. 2201. Pursuant to 35 U.S.C. 293, the venue of this action was proper in the United States District Court for the District of Columbia.

In response to petitioner's motion for partial summary judgment, respondent made a cross-motion for summary judgment, alleging that there was no case or controversy and that respondent himself never made any threats of infringement. The District Court filed its Memorandum Opinion, granting respondent's Cross-Motion, on March 7, 1985.

Petitioner appealed to the Court of Appeals for the Federal Circuit, which affirmed the judgment. A timely petition for rehearing was denied.

Petitioner now asks the Supreme Court of the United States to review this case which has national importance in order to define the circumstances under which a declaratory judgment action may be brought against the patentee for threats made by his exclusive marketing agent.

REASON FOR GRANTING THE WRIT

The Federal Circuit's Decision Is of Great National Importance

When one considers the many ramifications of the District Court's decision in this case, and the impact of its affirmance by the Court of Appeals

for the Federal Circuit, its unfair treatment of the law and national importance becomes readily apparent. More particularly, the District Court's decision is founded on the erroneous premise that Enercon is an "exclusive licensee" and that any controversy was between petitioner and Enercon (607 F. Supp. at 945) (Appendix B 21-23). However, Enercon has merely a license to only "use and sell" which is nothing more than is implied by the sale of any patented device, infra p. 21. Further, since a patent owner is an indispensable party to an infringement suit, infra pp. 23-24, the effect of the lower court's decision is to immunize a patent owner against an attack on his patent by the simple expedient of granting a license to his marketing agent to "use and sell" his patented device. Thus the entire

intention of the Declaratory Judgment Act may be frustrated. See, infra pp. 13-14.

The United States Court of Appeals for the Federal Circuit has exclusive jurisdiction of all appeals from final decisions of the District Courts of the United States in any action based, in whole or in part, on 28 U.S.C. 1338, i.e. which arise under the Patent Laws of the United States of America. 28 U.S.C. 1295(a). Thus, this decision by the C.A.F.C. with regard to "a case or controversy" in a patent declaratory judgment action supersedes all prior decisions of other circuits and is controlling over all federal district courts.

It is believed that it is most important that there be some guidelines for determining when a patent declaratory

judgment action may be brought against the patent owner, and that this case is the appropriate vehicle for determining what the law should be. The C.A.F.C. has said that:

> "The case or controversy requirement for a patent invalidity declaratory judgment action requires the presence of two elements. First, the defendant in such an action must have engaged in conduct that created on the part of the declaratory plaintiff a reasonable apprehension that it will face an infringement suit if it commences or continues the activity in question... Next, the plaintiff seeking a declaration of invalidity must have actually produced the accused device or have actually prepared to produce such a device." Jervis B. Webb Company v. Southern Systems, Inc., 742 F. 2d 1388, 1398-1399 (C.A.F.C. 1984).

Thus, since petitioner actually manufactures and sells an accused device,

this Petition centers about the test for determining when a declaratory plaintiff has "a reasonable apprehension that it will face an infringement suit." Petitioner submits that it is certainly reasonable for a declaratory plaintiff to have an apprehension of suit if its customers express concern because the patentee's exclusive marketing agent is threatening suit.

Enercon, respondent's exclusive marketing agent, does not have the right to manufacture devices that come within the scope of the patent in suit. Instead, it must purchase these devices from respondent and, as the district court has acknowledged, respondent's name appears on a plate affixed to these devices. (607 F. Supp. at 941, n. 1) (Appendix B-4). Thus, customers in the

United States, even though they may purchase from Enercon, are delivered a device bearing respondent's name and which was in fact manufactured by respondent's West German company.

> "A notable example is a patent infringer's suit for a declaration that the patent is invalid...A patentee spreads the word that some firm is making an infringing product. Sales of the firm's product dry up because customers fear being sued for infringement. But the patentee does not sue--maybe because of well-founded doubts of the patent's validity--instead allowing threats and rumor to discourage the infringer. Although he has no federal claim, the infringer can bring a federal declaratory judgment action against the patentee, seeking a declaration that the patent is invalid. The Declaratory Judgment Act thus enables a potential defendant in a suit by the patentee that may never be brought to precipitate that lawsuit. If it were not for the Act the infringer's only remedy would be a suit for unfair competition under the Lanham Act or, more probably, under

> state law." People of the State of Illinois v. Archer Daniels Midland Company, 704 F. 2d 935, 939-940 (7th Cir. 1983).

It appears that only one Circuit Court, other than the C.A.F.C., has expounded on the "case or controversy" requirement in a declaratory judgment action in a patent matter.

> "Declaratory relief is 'indisputably appropriate' to patent cases...The availability of declaratory relief serves both judicial efficiency and the policies underlying the patent laws. Before passage of the Act, a patentee had more protection for his invention than his statutory monopoly warranted. A patentee could chill competition by declaring that his competitors were infringing his patents and by threatening an infringement suit. Unless the patentee actually brought an infringement suit, questions of validity of the patent or infringement by competitors could not be adjudicated. Competitors might have no

> practical recourse except to enter into a licensing agreement or make some other arrangement with the patentee...Judge Learned Hand described invalid or overbroad patents as 'scarecrows' in the art...The act permits competitors in some instances to eliminate these 'scare-crows' without waiting to be sued." Societe de Conditionnement en Aluminium v. Hunter Engineering Co., Inc., 655 F. 2d 938, 943 (9th Cir. 1981).

As has been unequivocally shown by the record in this action, respondent's West German company manufactures the treaters that come within the scope of the patent in suit and a plate with respondent's name is affixed to these devices. These treaters are then sent to Enercon which then sells them to customers in the United States. While respondent has produced a copy of the

Amendment to his Marketing Agreement with Enercon, he has never produced the underlying Marketing Agreement itself. Consistent with the provision for Enercon to have sole marketing rights in the U.S., the Amendment granted Enercon an exclusive license to use and sell--but not to make--the patented device for only so long as the agreement was in force (not necessarily for the full term of the patent). Therefore, Enercon is nothing more than respondent's agent for marketing his product in the U.S. Under such circumstances, it was more than reasonable for petitioner to believe that Enercon was acting for and on behalf of respondent in the United States and that the threats made by Enercon were really threats made by respondent.

"It is not necessary to decide whether Hickam had the authority to make the statement to Vogel. Hunter argues that Hickam was authorized only to deal with technical questions, and not to threaten patent litigation. Under the real and reasonable apprehension test, however, this argument misses the point. If we were to focus on the patentee's conduct by requiring an actual threat of litigation, then such a threat would of course have to be made by one vested with actual, implied, or apparent authority by the patentee...

"Under the real and reasonable apprehension test, the focus is on the customer or competitor, not on the patentee. Although in many situations, the same facts will support a finding of reasonableness that would support a finding of agency, agency is not the test for case or controversy. One of the elements of reasonableness is whether it was reasonable for a listener to assume that the speaker was speaking for his company." (emphasis

added) Societe de Conditionnement, supra at 945.

The District Court was missing the point when it suggested that Enercon had to have specific authority to speak on behalf of respondent. (607 F. Supp. at 943) (Appendix B-14).[3] If that were the case, then the test would no longer be whether petitioner had a reasonable apprehension. The only question is whether it was reasonable for the declaratory plaintiff to believe that the person making the threat had the

---

3 Notwithstanding, if the court were to view the Marketing Agreement for what it is, i.e. an exclusive agency, and nothing more; that was all the relevant evidence needed to prove that Enercon had the authority to speak on behalf of respondent.

authority to do so on behalf of the patentee. In this regard, it has been specifically determined that a declaratory plaintiff does not have any duty or requirement to inquire into whether or not a person has the authority to make such a threat. Societe de Conditionnement, supra.

By referring to Enercon as an "exclusive licensee," the district court mischaracterized the relationship between respondent and Enercon.

The granting of an exclusive license is assumed to be an exclusive license of all rights under the patent. 1 Einhorn, Patent Licensing Transactions, §1.01[2][b] (1985). A license may grant an "exclusive right" (i.e. the exclusive right to use or sell), but the license is not an exclusive license unless it grants

exclusive rights to all rights under the patent. "A license which gives an exclusive right is not necessarily an exclusive license." Innis, Speiden & Co. v. Food Machinery Corporation, 2 F.R.D. 261, 263 (D.Del. 1942). Accordingly, an exclusive license is defined as the exclusive right to make, use and sell the patented article. Deitel v. Chisholm, 42 F. 2d 172, 173; 6 U.S.P.Q. 251, 252 (2d Cir. 1930); Innis, supra. Therefore, it is, as a matter of law, incorrect to label Enercon an "exclusive licensee." Since Enercon was not granted exclusive rights to all rights under the patent, it cannot, by definition, be an exclusive licensee. It is, pursuant to the Marketing Agreement, simply an exclusive marketing agent, and respondent must be responsible for

Enercon's actions, just as any company is responsible for the acts of its agents.

It is also important to realize that the so-called exclusive license to use and sell, that was granted to Enercon by the Amendment, is the same license that is implied when a patented article is acquired from the patentee. Aro Manufacturing Co., Inc. v. Convertible Top Replacement Co., Inc., 377 U.S. 476, 12 L. Ed. 2d 457, 84 S. Ct. 1526, 141 U.S.P.Q. 681, 685 (1964).

> "The unrestricted sale of a patented article by one who has the right to make such a sale releases the article sold from the patent monopoly. In this situation, the purchaser ordinarily acquires the right to use or sell the article." 1 Einhorn, Patent Licensing Transactions, §1.03[2] (1985).

It thus becomes apparent that respondent seeks to characterize Enercon as an "exclusive licensee," rather

than the exclusive marketing agent it really is, in order to avoid the consequences of the threats made by Enercon in its efforts to sell respondent's treaters for the benefit of respondent.

Respondent selected Enercon as his marketing agent for the U.S. to sell treaters bearing respondent's name and which are manufactured by respondent's West German company. He cannot now eschew responsibility for Enercon's threats which were made for the purpose of selling respondent's treaters. This situation is quite distinct from those in the cases cited by the District Court, wherein the licensees were "exclusive licensees" acting for themselves and not selling articles manufactured by the patentee. It strains the facts to conclude that Enercon did not have the

authority to speak on behalf of respondent.

The general rule established by the Supreme Court is that all co-owners of a patent must be joined because a patent owner is an indispensable party to an infringement or validity suit. Waterman v. MacKenzie, 138 U.S. 252, 255, 11 S. Ct. 334, 335 (1891); also see Willingham v. Star Cutter Co., 555 F. 2d 1340, 1343 (6th Cir. 1977). While it is true that the courts now recognize that a patentee may not be an indispensable party in an infringement or validity action involving the "exclusive licensee," Enercon is not an exclusive licensee of all rights under the patent. It has been held that the owner of only the exclusive right to use does not have a sufficient interest in the patent to be able to sue for

infringement. Duplan Corporation v. Deering Milliken, Inc., 184 U.S.P.Q. 812, 815 (D.S.C. 1974), rev'd on other grounds sub nom., Duplan Corp. v. Deering Milliken Research Corp., 522 F. 2d 809 (4th Cir. 1975).

> "First, we turn to the Supreme Court's opinion in Independent Wireless Telegraph Co. v. Radio Corporation of America, 269 U.S. 459, 46 S. Ct. 166, 70 L. Ed. 357 (1926), which considered the remedies available to an exclusive licensee of less than all the rights secured by a patent (a 'limited exclusive licensee') against one who infringes upon those exclusive rights. The Court held that the limited exclusive licensee could 'join' the patent owner as an involuntary plaintiff in an infringement action." 522 F. 2d at 812.

Most importantly, Enercon does not have the right to make the device in issue and it is not a licensee for the full term of the patent. Thus, it is uncertain whether the issues of patent

infringement and validity can be raised in an action against only Enercon. In this regard, the lower court observed that "Enercon is not a party to this action since it has no contacts with this district" and respondent "is a non-resident alien" and "is subject to jurisdiction only in this district." (607 F. Supp. at 942) (Appendix B 5-6). Accordingly, petitioner was faced with the problem that it could not sue Enercon and respondent in the same action. Respondent could be sued only in the District of Columbia, pursuant to 35 U.S.C. 293, and Enercon could be sued only in the District Court in Wisconsin (where it maintains its principal place of business). Therefore, petitioner's proper recourse was to bring this action against respondent because he is the only

party against whom it could raise the issues of patent infringement and validity, and, the threats of infringement were made by respondent's own marketing agent.

The district court has also erroneously concluded that respondent's contractual transfer to Enercon of an independent right to sue provided petitioner the opportunity to sue Enercon without fear of a separate infringement action by respondent (607 F. Supp. at 944) (Appendix B-16). In this connection, the Court cited numerous supporting district court decisions indicating that the one contra decision was by the Eighth Circuit in Agrashell, Inc. v. Hammons Products Company, 352 F. 2d 443, 446, 147 U.S.P.Q. 347 (1965).

It is significant that in Agrashell the Court of Appeals affirmed the final order of the district court sustaining defendant's motion for summary judgment and dismissing plaintiff's complaint for patent infringement because the agreement between that plaintiff and the patent owner fell short of an assignment of the entire patent. The fact that the agreement between the plaintiff and the patent owner gave the plaintiff the sole and exclusive right and license to manufacture, use and sell the compositions and processes described and claimed in the patent and gave the plaintiff the right to sue for infringment in its own name was deemed to be of no significance because the patent owner expressly reserved the right to make, use and sell such compositions and

to convey to purchasers thereof the right to use such processes.

To deny petitioner's right to maintain its causes of action against respondent would be to frustrate the intent of the Declaratory Judgment Act and to put back into the hands of a foreign patentee a sword against which a potential defendant in a suit by the patentee would have no shield. See People of the State of Illinois v. Archer Daniels Midland Company, supra; Societe de Conditionnement en Aluminium v. Hunter Engineering Co., Inc., supra.

CONCLUSION

This case improperly stands as federal precedential authority for the proposition that a foreign patentee-manufacturer is not responsible for the threats of infringement made by his exclusive U.S. marketing representative. A foreign patent owner who manufactures the patented device with his own name on it should be subject to a declaratory judgment action in the United States if his exclusive U.S. marketing representative makes threats of infringement.

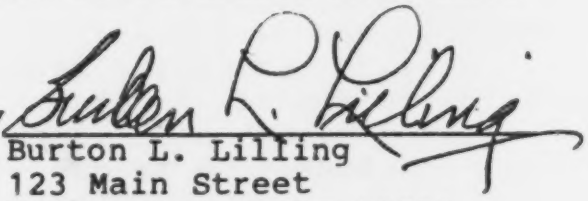
This case is of national importance to the Patent Bar.

This case mandates review.

WHEREFORE, petitioner Sherman Treaters Ltd respectfully requests that its petiton for writ of certiorari be granted.

DATED this 20th day of February, 1986.

LAW OFFICES OF LILLING & GREENSPAN

By 

Burton L. Lilling
123 Main Street
White Plains, NY 10601
Telephone: (914) 684-0600
Attorney for Petitoner

On the Brief:

Bruce E. Lilling, Esq.
Burton L. Lilling, Esq.

APPENDIX A

Note: This opinion will not be published in a printed volume because it does not add significantly to the body of law and is not of widespread legal interest. It is a public record. It is not citable as precedent. The decision will appear in tables published periodically.

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

SHERMAN TREATERS LTD., Appellant,	)	
v.	)	Appeal No. 85-2139
ANDREAS AHLBRANDT, Appellee.	)	

DECIDED: October 23, 1985

Before MARKEY, Chief Judge, NIES and BISSELL, Circuit Judges.

NIES , Circuit Judge.

DECISION

This appeal is from an order of the U.S. District Court for the District of Columbia dismissing a declaratory judgment action brought by Sherman Treaters Ltd. (Treaters), inter alia, to declare U.S. Patent No. 4,446,110 invalid and not infringed. The district court held that there was no case or controversy between the plaintiff and the only named defendant, Andreas Ahlbrandt, a citizen of the Federal Republic of German.1/ We affirm.

1/ Sherman Treaters, Ltd. v. Andreas Ahlbrandt, 607 F. Supp. 939 (D.D.C. 1985).

DISCUSSION

Treaters' action for declaratory relief is based on alleged oral threats of Enercon Industries Corporation, a Wisconsin corporation, to third parties that Treaters and/or its customers would be sued for infringement of the '110 patent. Treaters seeks to impute the acts of Enercon to Ahlbrandt, the patent owner.

We have reviewed the opinion of the district court and agree with the result. While we question that a motion for summary judgment is the appropriate vehicle for raising an issue of subject matter jurisdiction, 2/ we do not see any prejudice to Treaters in the court's having ruled on the matter as it did.

2/ See Wright, Miller & Kane, Federal Practice & Procedure: Civil, §1350, p. 547.

Indeed, the summary judgment standard favored Treaters. Since Treaters failed to present any evidence that Enercon's alleged acts were committed for or on behalf of Ahlbrandt, there simply is no case or controversy between Treaters and Ahlbrandt, as there must be. C. R. Bard, Inc. v. Schwartz, 716 F. 2d 874, 879, 219 USPQ 197, 202 (Fed. Cir. 1983) (citing Golden v. Zwickler, 394 U.S. 103 (1969) and Aetna Life Insurance Co. v. Haworth, 300 U.S. 227 (1937)). Thus, the complaint was properly dismissed.

APPENDIX B

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA

SHERMAN TREATERS, LTD., Case No.

Plaintiff, CIV. A. No. 84-3319

v

ANDREAS AHLBRANDT,

Defendant.

MEMORANDUM OPINION

JUNE L. GREEN, District Judge.

This matter is before the Court on plaintiff's motion for partial summary judgment as to noninfringement, invalidity, and false marking of defendant's patent; defendant's cross-motion for summary judgment as to lack of subject matter jurisdiction; the parties'

oppositions thereto; their respective replies; and the entire record herein. The Court heard oral arguments on these motions on February 22, 1985. For the reasons stated below, the Court grants defendant's motion for summary judgment and denies the motion of plaintiff.

Plaintiff filed the instant action on October 30, 1984, seeking declaratory relief for noninfringement, invalidity, and false patent marking, and damages for fraud on the United States Patent and Trademark Office and unfair competition.

I.

Plaintiff is a British corporation that manufactures ceramic and quartz tube corona discharge treaters for sale and distribution in the United States. Amended Complaint ¶¶ 1, 5. Defendant is a citizen of the Federal Republic of

Germany and patentee of United States Patent No. 4,446,110. The patent protects specific characteristics of ceramic and quartz tube corona discharge treaters manufactured by Ahlbrandt-System G.m.b.H., of which defendant is president. Answer ¶¶ 2, 6; Defendant's Statement of Points and Authorities Opposing Plaintiff's Motion for Partial Summary Judgment ("Opposition of Defendant") at 4-6.

In December 1983, Enercon Industries Corporation ("Enercon") of Wisconsin was granted an exclusive license to use and sell the patented invention in the United States. Amendment to Marketing Agreement ¶ 2 (filed Feb. 14, 1985). The agreement specifically granted to Enercon the first "right to enforce [the patent] against third party infringers at Enercon's expense." If Enercon failed to act, the

right to enforce the patent fell to Ahlbrandt-System.[1] Id. at 2 ¶ (a).

Plaintiff alleges that officials from Enercon have "threaten[ed] customers and potential customers with infringement actions in order to secure a better position for Defendant's machines in

---

1. The agreement actually is between Ahlbrandt-System and Enercon, and grants to Enercon an exclusive license to use and sell inventions "under any applicable U.S. patents which Ahlbrandt-System G.m.b.H. or Andreas Ahlbrandt may own or obtain." Amendment to Marketing Agreement at 1. The agreement is signed by defendant as president of Ahlbrandt-System. Id. at 3.

Plaintiff contends that the agreement and the manufacturing plates bearing defendant's rather than the manufacturer's name on the patented invention are evidence that Ahlbrandt-System is the alter ego of defendant. Plaintiff's Proposed Findings of Fact ¶¶ 9-13. Whether defendant and Ahlbrandt-System are one and the same is immaterial to the issue before the Court as to whether Enercon's actions may be imputed to defendant.

the market place." Plaintiff's Memorandum of Law in Opposition to Defendant's Motion for Summary Judgment ("Opposition of Plaintiff") at 3. In addition, plaintiff claims that Enercon placed several advertisements in a trade magazine in which the company falsely stated that it owned the patent in question and falsely described the scope of the patent. "As a result, these ads must inevitably discourage companies from purchasing corona discharge treater systems from anyone but Defendant." Id. at 5-6.

Plaintiff has filed suit against defendant, claiming that Enercon acted on behalf of defendant as an agent or representative. See Amended Complaint ¶¶ 8, 36-37; Opposition of Plaintiff at 3, 5. Enercon is not a party to this action since it has no contacts with

this district. Defendant, on the other hand, is a non-resident alien without an agent in the United States for service of process, and therefore is subject to jurisdiction only in this district. 35 U.S.C. § 293 (1984).

In his motion for summary judgment, defendant argues that this Court has no jurisdiction since no actual controversy exists between plaintiff and defendant. Rather, the controversy is with Enercon, who acted on its own behalf as exclusive licensee of the patent.

The Court agrees that no justiciable controversy exists between the parties to this action and, as such, dismisses the case for lack of jurisdiction.

II

The Court's jurisdiction is limited by Article III, section 2 of the United

States Constitution, which states, in relevant part, that "judicial Power shall extend to all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States, and Treaties... [and] to Controversies between two or more States;..." U.S. Const. art. III, §2.

Courts have interpreted the "case or controversy" language of Article III as requiring

> "a concrete case touching the legal relations of parties having adverse legal interests, and susceptible 'of an immediate and definitive determination of the legal rights of the parties in an adversary proceeding upon the facts alleged.' The distinction is between a case 'appropriate for judicial determination' on the one hand, and a 'difference or dispute of a hypothetical or abstract character' on the other."

Dewey & Almy Chemical Company v. American Anode, Inc., 137 F. 2d 68, 70 (3d Cir.),

cert. denied, 320 U.S. 761, 64 S. Ct. 70, 88 L. Ed. 454 (1943) (quoting Aetna Life Insurance Company v. Haworth, 300 U.S. 227, 240-41, 57 S. Ct. 461, 463-64, 81 L. Ed. 617 (1937); see Willing v. Chicago Auditorium Association, 277 U.S. 274, 289-90, 48 S. Ct. 507, 509, 72 L. Ed. 880 (1928) ("The fact that the plaintiff's desires are thwarted by its own doubts, or by the fears of others, does not confer a cause of action. No defendant has wronged the plaintiff or has threatened to do so.").

[1] The requirements of a "case or controversy" apply equally to suits brought under the Declaratory Judgments Act, 28 U.S.C. §2201 (1982), as to other actions. Altvater v. Freeman, 319 U.S. 359, 363, 63 S. Ct. 1115, 1117, 87 L. Ed. 1450 (1943). The parties must have a controversy of "'sufficient immediacy and

reality to warrant the issuance of a declaratory judgment.'" Golden v. Zwickler, 394 U.S. 103, 108, 89 S. Ct. 956, 959, 22 L. Ed. 2d 113 (1969) (quoting Maryland Casualty Company v. Pacific Coal & Oil Company, 312 U.S. 270, 273, 61 S. Ct. 510, 512, 85 L. Ed. 826 (1941)); Davis v. Ichord, 442 F. 2d 1207, 1214 (D.C. Cir. 1970); Dr. Beck and Company v. General Electric Company, 317 F. 2d 538, 539 (2d Cir. 1963) (need "actual controversy in the constitutional sense").

[2, 3] Patent cases in which the plaintiff seeks declaratory relief are no exception to the "case or controversy" requirements. Generally, an actual controversy exists in patent cases "only if the patentee-defendant in the declaratory judgment lawsuit has either expressly or impliedly charged the

plaintiff with infringement of its patent." Sherwood Medical Industries, Inc. v. DeKnatel, Inc., 512 F. 2d 724, 727 (8th Cir. 1975). Any statements or conduct by defendant which raise a reasonable apprehension of an infringement suit against plaintiff or its customers may constitute a charge of infringement. Id. at 727-28; Robin Products Company v. Tomecek, 465 F. 2d 1193, 1195-96 (6th Cir. 1972); W.R. Grace & Company v. Union Carbide Corporation, 319 F. Supp. 307, 310 (S.D.N.Y. 1970); 6A J. Moore, Moore's Federal Practice §57.20 (2d ed. 1984).

[4] The Declaratory Judgments Act provides to the alleged patent infringer a cause of action if no suit is brought by the party charging the infringement. The Act protects alleged infringers by allowing them to place the issues of

infringement and validity of the patent before the courts. The requirement of an "actual controversy," on the other hand, protects patentees from harassment if they refrain from charging infringement. "'[T]he mere existence of the patent is not a cloud on title, enabling any apprehensive manufacturer to remove it by suit.'" W.R. Grace & Company v. Union Carbide Corporation, 319 F. Supp. at 309-10 (citations omitted); see Societe de Conditionnement en Aluminium v. Hunter Engineering Company, Inc., 655 F. 2d 938, 943 (9th Cir. 1981).

[5] To establish an actual controversy and thereby protect the patentee, plaintiff must show a reasonable apprehension of an infringement suit "by the defendant presently before the court." DMP Corporation v. Rederiaktiebolaget Nordstjernan, 223 U.S.P.Q. 560, 561

(D.D.C. 1983) (emphasis added).

Plaintiff in the instant action has not alleged that defendant in any way acted directly to cause plaintiff to fear suit by defendant himself. Rather, the allegations are restricted to the actions of Enercon, an exclusive licensee of defendant's patent.

[6] The conduct of a licensee may not be imputed automatically to the patentee. The "acts of a patentee's agents charging infringement without specific authority do not warrant the initiation of a declaratory judgment action." Ag-Tronic, Inc. v. Frank Paviour LTD., 70 F.R.D. 393, 397 (D. Neb. 1976); see Dr. Beck and Company v. General Electric Company, 317 F. 2d at 539 (statement by defendant's employees not imputed to defendant).

[7-9] To create a controversy between plaintiff and the patentee, an agent must

have actual or apparent authority to level a charge of infringement on behalf of the patentee. Without such authority, plaintiff could not apprehend reasonably an infringement suit by the defendant-patentee. A reasonable apprehension in the plaintiff must be created by the patentee directly or through his authorized agents in order for the plaintiff to place the validity of the patent in question. The patentee should not be subjected to a declaratory judgment action for charges of infringement which he did not level himself or allow another to level. Id.; Acme Highway Products Corporation v. Maurer, 524 F. Supp. 1130, 1131 (D.D.C. 1981). Contra Societe de Conditionnement en Aluminium v. Hunter Engineering Company, Inc., 655 F. 2d at 945 (question of authority not important because focus

is on plaintiff's reasonable apprehension, not on patentee's conduct).

In the instant case, plaintiff alleges that Enercon made all charges of infringement. Plaintiff, however, presented no relevant evidence that Enercon had specific authority to speak on behalf of defendant.

[10, 11] To determine the scope of Enercon's authority, the Court must look to the license agreement. DMP Corporation v. Rederiaktiebolaget Nordstjernan, 223 U.S.P.Q. at 562. Not only did Enercon lack authority under the agreement to speak on behalf of defendant, but the licensee had express authority to act on its own behalf in instituting infringement suits. The agreement granted to Enercon "the

unilateral power,[2] authority and discretion" to enforce the patent against third-party infringers without the permission or knowledge of defendant. Affidavit of Andreas Ahlbrandt ¶¶ 8-10 (filed with Opposition of Defendant); Affidavit of Donald H. Nimmer ¶¶ 7, 11 (filed with Opposition of Defendant).

---

2. Plaintiff contends that the affidavits misstate the scope of authority granted to Enercon under the agreement. Plaintiff argues that Enercon does not have "unilateral power" to enforce the patent since Ahlbrandt-System has a similar right if Enercon fails to act. The key test, however, is whether the licensee had an "independent" right to sue on its own behalf, rather than the "sole" right to enforce the patent. Caldwell Manufacturing Company v. Unique Balance Company, 18 F.R.D. 258, 264 (S.D.N.Y. 1955); see DMP Corporation v. Rederiaktiebolaget Nordstjernan, 223 U.S.P.Q. 560, 562 (D.D.C. 1983) (Either patentee or licensee, alone, could institute suit for patent infringement.).

[12] By granting to Enercon an independent right to sue, defendant surrendered his right unless Enercon refrained from enforcing the patent. The contractual transfer of this right provided plaintiff the opportunity to sue the licensee without fear of a separate infringement action by the patentee. Micro-Acoustics Corporation v. Bose Corporation, 493 F. Supp. 356, 359-60 (S.D.N.Y. 1980); Channel Master Corporation v. JFD Electronics Corporation, 260 F. Supp. 568, 572 (E.D.N.Y. 1966), reh'g denied, 262 F. Supp. 292, 294 (1967); Consolidated Vacuum Corporation v. Machine Dynamics, Inc., 230 F. Supp. 70, 73 (S.D. Cal. 1964); Caldwell Manufacturing Company v. Unique Balance Company, 18 F.R.D. 258, 263-64 (S.D.N.Y. 1955). Contra Agrashell, Inc. v. Hammons Products Company, 352 F. 2d 443, 446 (8th

Cir. 1965) (agreement to sue in own name is without significance).

Plaintiff seems to contend that Enercon had apparent authority to act on behalf of defendant because defendant owned the patent and retained exclusive manufacturing rights under the license agreement. Plaintiff also disputes the validity of the license agreement and argues that it constitutes merely a marketing agreement, giving no rights in the patent to Enercon. Opposition of Plaintiff at 13, 15; see Plaintiff's Proposed Findings of Fact ¶ 23.

[13-16] "'[A]pparent authority results from conduct by the principal which causes a third person reasonably to believe that a particular person, who may or may not be the principal's agent, has authority to enter into negotiations or make representations as his agent.'"

Ag-Tronic, Inc. v. Frank Paviour, LTD., 70 F.R.D. at 397 (quoting Seavey, Agency at 13 (1964)). Defendant Ahlbrandt engaged in no conduct to cause plaintiff to believe that he consented to the charges of Enercon. Defendant had no communication whatsoever with plaintiff. Owning the patent and retaining the right to manufacture the invention are insufficient to create a reasonable belief in plaintiff that Enercon was acting on behalf of defendant. In fact, defendant expressly granted to Enercon the right to enforce the patent on its own behalf.[3]

---

3. The transfer of rights in a patent is governed by the legal effects of the agreement's provisions, not by the name of the agreement. Kronner v. United States, 110 F. Supp. 730, 734, 126 Ct. Cl. 156 (1953); Eterpen Financiera Sociedad de Responsabilidad Limitada v. United States, 108 F. Supp. 100, 104 (Ct. Cl. 1952), cert. denied, 346 U.S. 813, 74 S. Ct. 22, 98 L. Ed. 340 (1953). The Court finds that the agreement with

He could have done no more to avoid creating in Enercon the appearance of authority to speak on behalf of defendant. Moreover, Enercon made no suggestion that it was acting on behalf of anyone but itself. In fact, plaintiff claims that Enercon held itself out as owner of the patent. Opposition of Plaintiff at 5.

[17] Even under the more liberal interpretation of a "case or controversy" in Societe de Conditionnement en Aluminium v. Hunter Engineering Company, Inc., plaintiff could not have a "real and

---

Enercon, although entitled "Amendment to Marketing Agreement," granted an exclusive license to use and sell the invention. A patentee need not release all his rights to the patent under a license agreement. See Bement v. National Harrow Company, 186 U.S. 70, 88, 22 S. Ct. 747, 754, 46 L. Ed. 1058 (1902).

reasonable apprehension" of an infringement suit by defendant. 655 F. 2d at 944. Plaintiff knew only that Enercon sold defendant's corona treater stations, that Enercon was leveling charges of infringement, and that defendant was the foreign owner of the patent in question. Armed with this information, plaintiff assumed that Enercon was defendant's United States spokesman. Opposition of Plaintiff at 9-10. Plaintiff did not inquire into the authority of Enercon. "Whether such inquiry is required should be determined by whether, in the given factual situation, apprehension would be reasonable without it." Societe de Conditionnement en Aluminium v. Hunter Engineering Company, Inc., 655 F. 2d at 945. Under the facts in this case,

plaintiff could not apprehend reasonably an infringement suit by defendant without at least some minimal inquiry into the relationship between Enercon and defendant.

[18] All communications alleging infringement were from Enercon, which is not a party to this suit. Enercon had authority to act on its own behalf to protect the patent. This Circuit twice has found that the acts of an exclusive licensee with an independent right to sue could not create a case or controversy between the plaintiff and a patentee. In Acme Highway Products Corporation v. Maurer, the court held that an exclusive license to make, use, and sell the invention operated as an assignment of the patent as a matter of law and entitled the licensee to maintain an action for infringement in its own name

without the advice, request, or participation of the licensor. Since the licensee had an independent right to sue and only the licensee charged the plaintiff with infringement, the court held that the controversy existed with the licensee, not the patentee. 524 F. Supp. 1130, 1131 (D.D.C. 1981) (Joyce Green, J.).

The Circuit went a step further in DMP Corporation v. Rederiaktiebolaget Nordstjernan, in which the court recognized an independent right of the licensee to enforce the patent under a license agreement. That right, the court concluded, allowed the licensee to charge infringement in its sole capacity as a licensee and not on behalf of the patentees. 223 U.S.P.Q. 560, 562-63 (D.D.C. 1983) (Hogan, J.). The court therefore refused to impute the actions

of the licensee to the patentees and dismissed the suit against defendant-patentees. Id. at 563.

Based on the license agreement in the instant case and Enercon's alleged actions, plaintiff could not have apprehended reasonably a suit by defendant. Nothing in the facts suggests a case or controversy between plaintiff and defendant. Rather, the controversy is between plaintiff and the licensee.

This Court therefore grants defendant's motion for summary judgment and denies plaintiff's motion for lack of jurisdiction. The Court need not, and does not intend to, rule on the merits of plaintiff's motion.

APPENDIX C

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

SHERMAN TREATERS LTD., Appellant,	)	
v.	)	No. 85-2139
ANDREAS AHLBRANDT, Appellee.	)	

O R D E R

A petition for rehearing having been filed in this case,

UPON CONSIDERATION THEREOF, it is Ordered by the court that the petition for rehearing be, and the same is hereby, Denied.

FOR THE COURT:

/s/ Francis X. Gindhart

Francis X. Gindhart, Clerk

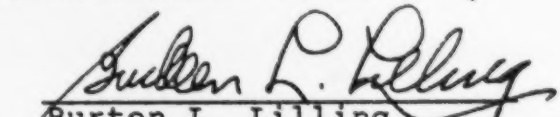
November 22, 1985
Date

cc: Thomas O. Kloehn
Bruce L. Lilling

CERTIFICATE OF SERVICE

I, Burton L. Lilling, one of the attorneys for petitioner herein, and a member of the Bar of the Supreme Court of the United States, hereby certify that on the 20th day of February, 1986, I served a copy of this Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit, by mailing a copy in a duly addressed envelope, with first class postage prepaid, to the following attorney of record:

Thomas O. Kloehn, Esq.
Quarles & Brady
780 North Water Street
Milwaukee, Wisconsin 53202



Burton L. Lilling
Law Offices of Lilling & Greenspan
123 Main Street
White Plains, NY 10601
(914) 684-0600
Attorneys for Petitioner

AFFIDAVIT OF MAILING

I, Burton L. Lilling, one of the attorneys for petitioner herein, and a member of the Bar of the Supreme Court of the United States, hereby certify that on the 20th day of February, 1986, I deposited in the United States Post Office located at 100 Fisher Avenue, White Plains, New York, with first class postage prepaid, and properly addressed to the Clerk of the Supreme Court of the United States, within the time allowed for filing, this Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit.

Burton L. Lilling

Burton L. Lilling
Law Offices of Lilling & Greenspan
123 Main Street
White Plains, NY 10601
Telephone: (914) 684-0600
Attorney for Petitioner

STATE OF NEW YORK)
) ss:
COUNTY OF WESTCHESTER)

On this 20th day of February, 1986 before me personally appeared Burton L. Lilling, who, being duly sworn, did depose and say that he is the attorney of record for the petitioner herein, that he is a member of the Bar of the Supreme Court of the United States and that he has read and signed the foregoing Affidavit of Mailing of the within Petition for Writ of Certiorari.

Barbara Czuhajewski

Barbara Czuhajewski
123 Main Street, Suite 936
White Plains, New York 10601
Notary Public, State of New York
No. 4851346
Qualified in Westchester County
Commission Expires January 27, 1988